

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 AID-05 SS-15 NSC-05 H-02 PA-01 PRS-01

USIA-06 /079 R

DRAFTED BY EB/OT/STA:EGCONSTABLE:CLJ

APPROVED BY EB/OT/STA:BBISHOP,JR.

TREASURY:RSELF

EA/K:JFORBES

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R 032350Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

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E.O. 11652:N/A

TAGS: ETRD, KS

SUBJECT: COUNTERVAILING DUTIES -- FOOTWEAR

REF: SEOUL 4816

1. ON QUESTIONS RAISED IN REFTTEL, TREASURY DECISION
APPLIES TO BOTH RUBBER-SOLED AND NON-RUBBER FOOTWEAR.
AMOUNT OF BOUNTY OR GRANT VARIES FOR INDIVIDUAL COMPANIES
BUT IS IN ALL CASES LESS THAN 1 PERCENT. THE QUESTION OF
WHAT CONSTITUTES A DE MINIMUS BOUNTY IS NOT DEFINED IN
TRADE ACT BUT IS AN ADMINISTRATIVE DECISION BASED ON FACTS
OF INDIVIDUAL CASES AND PRECEDENT. SPECIAL DISCRETIONARY
AUTHORITY CAN BE CONSIDERED IN THE CASE OF RUBBER-SOLED
FOOTWEAR (80PERCENT OF VALUE OF KOREAN SHIPMENTS TO U.S.)
BUT TRADE ACT LIMITS USE OF AUTHORITY IN NON-RUBBER FOOTWEAR
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CASES.

2. TREASURY OFFICIALS HAVE EXPLAINED FINDING TO KOREAN EMBASSY REPRESENTATIVES IN WASHINGTON. TREASURY PREPARED TO REVIEW ANY ADDITIONAL DATA KOREANS MAY WISH TO SUBMIT, ALTHOUGH WE BELIEVE FULL AND ACCURATE DATA HAS BEEN SUPPLIED.

3. IN ANNOUNCING KOREAN DECISION AT JULY 2 PRESS CONFER-

ENCE, TREASURY ASSISTANT SECRETARY MACDONALD SAID THAT THE TREASURY DETERMINATION WAS A "PAINFUL DECISION" NOTING THAT THE KOREANS HAD BEEN "EXTREMELY COOPERATIVE" DURING THE INVESTIGATION AND HAD ALREADY DROPPED TWO PROGRAMS WHICH ELIMINATED APPROXIMATELY 80 PERCENT OF THE BOUNTIES OR GRANTS. MACDONALD REALIZED THAT TREASURY'S PRELIMINARY DECISION WAS ESPECIALLY DIFFICULT FOR KOREANS TO ACCEPT IN VIEW OF THEIR ACTION IN 1973 TO RESTRICT EXPORTS TO U.S. OF RUBBER-SOLED FOOTWEAR FOR THREE-YEAR PERIOD. NEVERTHELESS, HE SAID THE REQUIREMENTS OF U.S. LAW WERE CLEAR, THAT SUCH EXPORT RESTRAINTS COULD NOT BE TAKEN INTO ACCOUNT IN TREASURY'S PRELIMINARY DECISION AND THAT THE DECISION HAD TO BE PUBLISHED. WHEN ASKED ABOUT THE POSSIBILITY OF USE OF THE WAIVER AUTHORITY, HE SAID THAT IN VIEW OF THE PAST ACTIONS BY THE KOREANS AND THEIR COOPERATIVE ATTITUDE HE WAS VERY HOPEFUL THAT A SATISFACTORY SOLUTION WOULD BE POSSIBLE.

4. WE REALIZE ADMINISTRATION OF COUNTERVAILING DUTY LAW CAN BE IRRITANT, BUT HOPE KOREANS UNDERSTAND REQUIREMENTS UNDER WHICH USG MUST OPERATE. IT IS, OF COURSE, IMPOSSIBLE TO PREDICT WHETHER OTHER COMPLAINTS WILL BE FILED ON PRODUCTS FROM KOREA, BUT PAST EXPERIENCE INDICATES THAT PUBLICATION OF A TREASURY DECISION DOES NOT NECESSARILY RESULT IN A SIGNIFICANT NUMBER OF ADDITIONAL PETITIONS BEING FILED.

5. TREASURY WILL DISCUSS TECHNICAL QUESTIONS WITH KOREAN WASHINGTON REPRESENTATIVES. U.S. WILL THEN BE PREPARED TO CONSULT WITH KOREANS ON POSSIBLE RESOLUTIONS. SISCO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, FOOTWEAR, COUNTERVAILING DUTIES, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE158362
Document Source: CORE
Document Unique ID: 00
Drafter: EGCONSTABLE:CLJ
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750232-1144
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750785/aaaacykr.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SEOUL 4816
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2003 by CunninFX>; APPROVED <18 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTIES -- FOOTWEAR
TAGS: ETRD, KS, US
To: SEOUL
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006